

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15
USIA-06 EB-08 COME-00 TRSE-00 OMB-01 STR-07
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-----022639 091026Z /10

R 080548Z MAR 78
FM AMEMBASSY MANAMA
TO SECSTATE WASHDC 5900
INFO AMEMBASSY ABU DHABI
AMEMBASSY AMMAN
AMEMBASSY ATHENS
USINT BAGHDAD
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY DHAHRAN
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
MAMEBASSY MUSCAT 773

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E.O. 11652: N/A
TAGS: ETRD, BA, XF
SUBJECT: FOREIGN BOYCOTTS: FINAL EAA REGULATIONS

REF: (A) STATE 30207 (B) JIDDA 1499

1. IN PRESENTING COPIES OF FINAL EAA REGULATIONS AND
POINTS MADE IN REF A, FOR FIRST TIME EMBOFF WAS RECEIVED
DIRECTLY BY DIRECTOR OF BAHRAIN BOYCOTT OF ISRAEL OFFICE,
SAEED AL-SAEED. PAST EMBASSY CONTACT WITH AL-SAEED HAS BEEN
IN PRESENCE OF HIS SUPERIOR, MINISTER OF FINANCE, OR
DIRECTOR OF CUSTOMS, WHEN HE HAS HAD LITTLE TO CONSTITUTE.
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DURING EMBOFF PRESENTATION OF POINTS, AL-SAEED LISTENED
QUIETLY WITHOUT GIVING INDICATION OF GOB THINKING ON BOYCOTT.
EMBOFF STATED THAT WE HAVE HAD INDICATIONS SAUDI ARABIA WAS
ADOPTING NEW L/C FORMULATION (PARA TWO, REF B) AND THAT
MOST ARAB GOVERNMENTS WERE TRYING TO WORK WITH USG TO
AVERT DISRUPTION IN TRADE RESULTING FROM ARAB BOYCOTT OF
ISRAEL AND US EAA REGULATIONS. AL-SAEED MERELY NODDED

AGREEMENT.

2. AL-SAEED SAID THAT HE WOULD HAVE THE FINAL REGULATIONS TRANSLATED, STUDIED BY HIS STAFF AND RETURN TO THE EMBASSY SHOULD THERE BE SPECIFIC QUESTIONS. HE DID COMMENT THAT IT WAS DIFFICULT TO GET THE USG TO PROVIDE RULINGS ON QUESTIONS OF REGULATIONS. HE BELIEVED THAT THERE WOULD BE MINOR PROBLEMS ARISING FOR SOME TIME UNTIL OUR LAW WAS MORE FULLY UNDERSTOOD. HE BELIEVED THAT SMALLER BUSINESSMEN ON BOTH SIDES MIGHT SUFFER. HE SAID THAT ARAB BUSINESS WAS NOT LIKELY TO HAVE MUCH PATIENCE WITH CONTINUOUS REQUESTS FOR DELETION OF LANGUAGE AND SPECIAL METHODS OF CONDUCTING BUSINESS FROM AMERICAN FIRMS IF THESE DELAYED TRANSACTIONS.

3. AL-SAEED SAW TWO MAJOR PROBLEMS WITH OUR LAW FOR WHICH HE COULD SEE NO RPT NO SOLUTION. THE FIRST IS THAT HEARD OFTEN HERE AND AT OTHER POSTS IN THIS REGION -- HOW A U.S. FIRM CAN GET OFF THE BOYCOTT LIST OR REMAIN OFF WHEN ALLEGATIONS ARE MADE BY OTHERS. THE SECOND PROBLEM WAS ON LA-SAEED'S DESK AT THE TIME. BAHRAIN CAN CONTINUE DOING BUSINESS WITH A FIRM WHICH HAS SOME ALLEGATIONS AGAINST IT, UNTIL THE FIRM IS ACTUALLY PLACED ON THE BOYCOTT LIST. HOWEVER, SHOULD THE FOREIGN FIRM WISH TO REGISTER IN BAHRAIN OR SHOULD A LOCAL FIRM WISH TO REGISTER AN AGENCY AGREEMENT, A CLEARANCE IS REQUIRED FROM THE BOYCOTT OFFICE WHICH CANNOT BE GRANTED UNTIL ALL SUCH ALLEGATIONS ARE ANSWERED.

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4. FOR EXAMPLE, AL-SAEED CITED ONE OF THE LARGEST BAHRAINI TRADING FIRMS WHICH RECENTLY APPLIED TO REGISTER AN AGENCY AGREEMENT WITH BUTLER MANUFACTURING. THE U.S. FIRM HAS DONE CONSIDERABLE BUSINESS IN BAHRAIN, AND MUCH MORE IN SAUDI ARABIA, IN PRE-FAB BUIDLINGS. HOWEVER, THE BOYCOTT OFFICE HAD WHAT AL-SAEED TERMED A "VERY MINOR" ALLEGATION AGAINST BUTLER WHICH THE FIRM WAS UNABLE TO ANSWER BECAUSE OF OUR EAA REGULATIONS. THE BAHRAINI FIRM THEN WITHDREW ITS APPLICATION FOR AGENCY. BUTLER CAN CONTINUE TO SELL HERE BUT NOT THROUGH A REGISTERED AGENT. IF COMPETITORS REACH AGENCY AGREEMENTS WITH THE BETTER BAHRAINI FIRMS, BUTLER MAY FIND ITSELF FADING FROM THE MARKET.

5. CHAIRMAN OF BAHRAIN CHAMBER OF COMMER, MOHAMMAD JALAL, EARLIER RELATED PROBLEM HE HAD IN THIS AREA WITH U.S. FIRM HE CONSIDERED ONE OF HIS BEST SUPPLIERS WITH GREAT POTENTIAL. BOYCOTT OFFICE HAD RECEIVED ALLEGATION AGAINST ARMSTRONG CORK WHICH REQUIRED ANSWERS WHICH JALAL WAS UNABLE TO SUPPLY. IN SPITE OF JALAL'S INFLUENCE IN GOB AND BOYCOTT OFFICE, HE FEARED THAT ARMSTRONG CORK MIGHT SOON BE BOYCOTTED.

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